

Message Text

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ACTION EB-12

INFO OCT-01 ARA-16 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOTE-00 INR-11 NSAE-00 RSC-01 FAA-00 SS-20 NSC-07 L-03

H-03 PA-04 PRS-01 USIA-15 DRC-01 /104 W

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FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 522

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EO 11652: N/A

TAGS: ETRN, CI

SUBJECT: CIVAIR - FOREIGN GOVERNMENT SUBSIDIES AND
RESTRICTIVE AIRLINE PRACTICES

REF: (A) STATE 204676; (B) STATE 196118; (C) STATE 162608;
(D) STATE 79306; (E) SANTIAGO A-161, AUG 8, 1973

1. SITUATION HERE HAS IMPROVED CONSIDERABLY OVER THAT DESCRIBED
REF E (DETAILS OF NEWLY ISSUED CENTRAL BANK CIRCULAR GOVERNING
AIRLINE SALES BEING TRANSMITTED VIA AIRGRAM). SINCE SEPT 1973
CHANGE OF GOVERNMENT, LAN HAS ATTEMPTED TO MEET ALL OPERATING
COSTS WITHOUT GOC SUBSIDY. THOUGH FREQUENTLY FORCED TO SCRAMBLE
FOR FUNDS, LAN HAS APPARENTLY BEEN
ABLE TO CARRY THROUGH ON THIS
POLICY TO DATE. GOC WILL CERTAINLY BE CALLED UPON AT TIME ANY
FINANCING OF NEW AIRCRAFT ARRANGED, HOWEVER, AT MINIMUM TO PROVIDE
LOAN GUARANTY. FOLLOWING WERE ONLY CURRENT PRACTICES EMBASSY
FOUND WHICH MIGHT BE TERMED RESTRICTIVE AND/OR AMOUNTING TO
SUBSIDIZATION BY GOC.

2. LAN PAYS ITS FUEL BILLS HERE IN ESCUDOS, WHILE THE INTER-
NATIONAL CARRIERS MUST PAY IN DOLLARS. ESCUDO FUEL PRICE
ADJUSTMENTS LAG BEHIND DOLLAR RATE ADJUSTMENTS, GIVING LAN
CONTINUING MODEST WINDFALL IN TERMS OF ITS DOLLAR INCOME.
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SPECIFICS OF EACH CARRIER'S FUEL SUPPLY CONTRACT ARE CLOSELY

HELD SECRET, SO IT WILL BE DIFFICULT TO PIN DOWN EXACTLY WHAT THIS MEANS IN TERMS OF TOTAL SAVINGS FOR LAN.

3. CHILEAN CITIZENS AND PERMANENT RESIDENTS DEPARTING FOR THE US AND EUROPE MUST PAY A SPECIAL EXIT TAX OF 50,000 ESCUDOS (US \$37.17 AT CURRENT RATE FOR PURCHASE OF DOLLARS BY TRAVELERS). THOUGH THIS APPLIES TO ALL AIRLINE PASSENGERS, INCLUDING LAN, LOCAL BRANIFF OFFICIALS FEEL IT TENDS TO RESTRICT VOLUME OF TRAVEL TO THE US, OF WHICH BRANIFF HAS THE LARGEST SHARE.

4. LAN ENJOYS UNIQUE PRIVILEGE OF BEING ABLE TO DELAY PAYMENT OF LANDING FEES WITHOUT FINE, WHICH REPORTEDLY STRINGENTLY APPLIED TO OTHER LINES IN CASES OF LATE PAYMENTS. ALSO, AT END OF YEAR IF LAN HAS ACCUMULATED LANDING FEES IN EXCESS OF ITS QUOTA, THE TOTAL CHARGES FOR ITS DOMESTIC FLIGHT LANDING FEES ARE ADJUSTED DOWNWARD TO COMPENSATE FOR THE EXCESS CHARGES. INTERNATIONAL LINES MUST PAY ANY EXCESS CHARGES IN FULL.

5. COMMENT: LOCAL OFFICIALS OF INTERNATIONAL AIRLINES ARE BASICALLY PLEASED WITH PRESENT SITUATION AND UNLIKELY TO INITIATE ANY ACTION TO RECTIFY ABOVE RELATIVELY INSIGNIFICANT DISCRIMINATORY PRACTICES. BRANIFF IN PARTICULAR AMONG INTERNATIONAL CARRIERS IN CHILE IS ENJOYING PERIOD OF PROFITABLE OPERATIONS. PER COMMENT REF E, AGAIN SUGGEST THAT IF US GOVERNMENT ACTION REGARDING DISCRIMINATORY PRACTICES IN CHILE CONTEMPLATED, MATTER SHOULD FIRST BE THOROUGHLY DISCUSSED WITH BRANIFF OFFICIALS AND THIS EMBASSY. FAILURE TO CONCLUDE LONG-PENDING AGREEMENT DOES CONTINUE TO REPRESENT CLEARLY INEQUITABLE SITUATION FOR BRANIFF, AS THIS LINE CONTINUES TO PAY INCOME TAXES IN CHILE WHILE LAN DOES NOT DO SO IN US.

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